



WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES

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HARMONIZED SYSTEM
REVIEW SUB-COMMITTEE
-
19th Session
-

NR0020E1
(+ Annexes I, II and III)
O. Eng.

H11-3

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POSSIBLE AMENDMENTS TO CHAPTER 41

(Item II.A.20 on the Agenda)

Reference documents :

- 42.473 (RSC/18)
- 42.484 (RSC/18)
- 42.500, Annex B/16 (RSC/18 – Report)
- 42.406 (HSC/22)
- 42.750, Annex E (HSC/22 – report)

I. BACKGROUND

1. At its 18th Session, the Harmonized System Review Sub-Committee held a preliminary discussion on the possible amendment to the structure of Chapter 41, as suggested by the EC in Doc. 42.473. Since the working document had arrived late, several delegates indicated that they were not in a position to take a firm view on the proposal and would like to require time to consult with national industry.
2. The Food and Agriculture Organization (FAO) had indicated that the proposal put forward by the EC had the support of many members of the FAO Sub-Group on Hides and Skins, which was to meet in November 1998 to endorse the full detail of the proposal, while the United Nations Industrial Development Organization (UNIDO) and the UN International Trade Centre (ITC) informed the Secretariat about their support for the proposal (Doc. 42.484 (RSC/18)). The Chairman, while indicating that additional information and clarification was needed, concluded that the Sub-Committee could take up this issue again at its next session. The EC and other administrations were asked to submit the necessary information during the intersession.

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II. INFORMATION RECEIVED BY THE SECRETARIAT

3. At the 18th session, the Secretariat received from the Delegate of Morocco a suggestion to clarify the scope of subheading 4101.10, as the text suggested by the EC might, in his opinion, be confusing.
4. Also at the 18th session, the Secretariat received and distributed observations received through the EC from COTANCE, the Federation of European Leather Trade and Industry. They can be summarized as follows :
 - (i) The EC proposal provides for a more consistent structure of the entire Chapter;
 - (ii) There should be no change to the current subheadings of heading 41.02;
 - (iii) The insertion of "(including buffalo)" is necessary to clarify the classification of these hides and skins. The Secretariat's suggestion to use the expression "(y compris les buffles)" in French is acceptable;
 - (iv) The sequence of the code numbers is fundamental and the Secretariat's proposal to renumber certain four digits codes should not be followed;
 - (v) The Secretariat's suggestion to amend current Note 1 (c) to Chapter 41 and Note 2 (b) to Chapter 43 (French version) by inserting a reference to "cuirs", can be accepted;
 - (vi) The bulk in trade of the products of heading 41.01 is in the wet-salted condition, the weight criterion being used to differentiate between hides and calfskins. From industry point of view, there is no need to revise the weight criteria for the other categories;
 - (vii) If hides and skins are tanned, they have undergone an irreversible tanning process. Provisionally prepared hides and skins should not be classified in the headings for intermediate or finished materials, but in the corresponding heading for raw materials as "otherwise preserved, but not tanned";
 - (viii) The Explanatory Notes should be revised to give clear indication how to distinguish between "finished" and "unfinished";
 - (ix) Simply tanned but not further prepared leather is basically "wet blue", whereas the term "crust" covers leather that has been further prepared and has undergone a fatliquoring process. It is suggested to substitute the heading texts relating to "tanned" by "wet-blue", rather than to skip the indication of "crust" if the proposed amendment cannot be adopted by the Sub-Committee;
 - (x) COTANCE prefers to use the term "stain" in the French version, rather than "en crôte", as the latter may be understood to refer to "split" or "flesh split";
 - (xi) The expression "full substance" has been suggested to correct the current wrong definition of "full grains" as described presently in the Subheading Explanatory Note to subheading 4104.31; and
 - (xii) The TCRO definitions are perfectly compatible with the EC proposals.
5. During the intersession, the Secretariat received, on 20 January 1999, a letter from FAO and, on 10 February 1999, a letter from the International Trade Centre

(UNCTAD/WTO). The content of both letters is reproduced in Annex II to this document. In addition, the Secretariat received, on 9 February 1999, information from the EC. The text of this submission is also reproduced in Annex II to this document.

III. SECRETARIAT COMMENTS

6. To facilitate discussions in the Sub-Committee, the Secretariat has reproduced the initial EC proposal in Annex I to this document, where Annex III contains the draft amendments to the Nomenclature, duly revised by the Secretariat according to the comments set out in the paragraphs below.
7. The observations of COTANCE as distributed during the last session, were based on the Secretariat's comments and suggestions as contained in paragraphs 2 to 18 of Doc. 42.473 and in Annex II to that document. The Secretariat would like to reflect on some of the issues raised in these observations. These reflections, which are set out below, also include additional comments of the Secretariat vis-à-vis the observations received from the EC and from the Delegate of Morocco.
8. Secondly, on further reflection the Secretariat considers that the texts of headings 41.06 and 41.11 (as contained in Annex II to Doc. 42.473) need further amendments, given the fact that the expression "cuirs et peaux (. . .) épilé" in the French version (as suggested by the EC) would not cover such hides or skins of reptiles or of other animals without hair on (see paragraph 34 below).
9. Finally, the Secretariat notes that, according to the letter submitted by the International Trade Centre (ITC), the proposed new structure would improve the leather sector's trade nomenclature and statistical information, in particular for the developing countries. It also notes that ITC very much welcomes the COTANCE proposal, though it seems that it has not received a worldwide consensus.

Code numbers

10. As indicated in paragraph 5 of Doc. 42.473, the Secretariat has revised the code numbers in the EC proposal, as several existing code numbers were used even when the scope of the proposed heading or subheading had undergone substantial changes. The revised code numbers are reproduced in the table below. Unless otherwise indicated, references to code numbers in the paragraphs below apply to those listed in the right hand column.

EC proposal (Annex I)	Secretariat's proposal (Annex III)
(a)	(b)
4101.10	4101.20
4101.20	4101.50
4103.20	4103.30
4103.30	4103.20
4104.21	4104.91
4104.29	4104.99
4105.20	4105.90
4106.11	4106.21
4106.12	4106.29
4106.21	4106.31
4106.22	4106.39

4106.30	4106.40
4106.92	4106.99
4108.00	4110.00
41.09	41.11
4109.10	4111.10
4109.20	4111.20
4109.30	4111.30
4109.90	4111.90
41.10	41.12
4110.10	4112.10
4110.20	4112.20
41.11	41.13
4111.10	4113.10
4111.20	4113.20

11. It should be noted that, following this scheme, present headings 41.08 and 41.09 would be deleted entirely. If, on the other hand, the Sub-Committee opts to use the code numbers as suggested by the EC in Annex I to this document (i.e., to re-use numbers for headings or subheadings with a different scope compared with the present headings or subheadings with the same numbers), the Secretariat would like to stress that this approach would jeopardize the decision taken by the Committee in this respect, and might affect other areas in the Nomenclature as well. Furthermore, the Secretariat considers that the principles as proposed by the EC (i.e., the proposed sequence of the headings and the structure) remain unaffected by the use of the code numbers suggested in the right hand column above. However, it leaves it to the Sub-Committee to decide.

Inclusion of the term “cuirs”

12. The Secretariat indicated in paragraph 6 of Doc. 42.473 that it could accept the proposal to insert a reference to “cuirs” in the French version, noting that this term is qualified by the word “brut” in the headings concerned. In addition, it suggested similar amendments to Note 1 (c) to Chapter 41 and Note 2 (b) to Chapter 43. Since COTANCE accepts, apparently, this suggestion, the Secretariat has deleted the square brackets around the proposed amendments in Annex III.

Reference to “buffalo”

13. If the Sub-Committee accepts the proposal to insert a reference to “buffalo” in proposed headings 41.01, 41.04 and 41.07, the Secretariat suggests that the French version would read “(y compris les buffles)”, as in current Note 1 (c) to Chapter 41, which suggestion appears to be acceptable to COTANCE. Pending the outcome of the discussions, the Secretariat has placed the relevant parts in square brackets in Annex III, the French version being duly modified as indicated above.

Subheadings 4101.20 and 4101.50

14. The EC has proposed to increase the maximum weight of fresh, wet-salted or otherwise preserved whole hides and skins in subheadings 4101.20 and 4101.50 (i.e., from 14 kg to 16 kg), indicating that calves traditionally covered by these subheadings appear to be bigger nowadays. The Secretariat expressed some concern vis-à-vis the proposal, as the maximum weights of whole hides and skins when simply dried or dry-salted had not been amended. In this context COTANCE indicates that trade and industry do not see the need to revise these weights, as these weight conditions allow for a sufficient safety margin.

15. The Secretariat also noted that the proposed subheading was no longer restricted to bovine hides and skins, but would also cover such hides and skins of equine animals. COTANCE indicates that (i) equine animals, when slaughtered, are mature animals and (ii) the hide structure is basically similar to the bovine (including buffalo) hides. It is, therefore, not necessary to have them separated from the bovine hides.
16. Given the clarifications of COTANCE, the Secretariat suggests deleting the square brackets around the reference to the suggested weight criterion (16 kg), and has made the appropriate changes in the draft texts set out in Annex III.
17. The Delegate of Morocco, indicating that the proposed presentation of subheading 4101.20 might confuse the user, has suggested to redraft the proposed structure along the following way :

“ - Whole hides and skins, the following :

4101.11 -- of a weight per hide or skin not exceeding 8 kg when simply dried

4101.12 -- of a weight per hide or skin not exceeding 10 kg when dry-salted

4101.13 -- of a weight per hide or skin not exceeding 16 kg when fresh, wet-salted or otherwise preserved”

(French version :

“ - Cuirs et peaux entiers, les suivants :

4101.11 -- d'un poids unitaire n'excédant pas 8 kg lorsqu'ils sont secs

4101.12 -- d'un poids unitaire n'excédant pas 10 kg lorsqu'ils sont salés, secs

4101.13 -- d'un poids unitaire n'excédant pas 16 kg lorsqu'ils sont frais, salés ou autrement conservés”).

18. The Secretariat notes that the approach suggested by the Delegate of Morocco may have some merits. However, at the same time the Secretariat has some concern vis-à-vis the legal scope of the one-dash subheading, since the terms of that subheading, when read in isolation from the texts in the proposed two-dash subheadings, do not clearly define its scope. In this context the Secretariat would like to refer to GIR 6, which stipulates that the classification of goods in the subheadings of a heading shall be determined according to the terms of those subheadings. In conclusion, the Secretariat would not be in favour of the structure suggested by the Delegate of Morocco.

Subheadings 4102.10 and 4102.2

19. According to the observations received from COTANCE, the current French version of the subheadings 4102.10 and 4102.2 should not be amended (see paragraph 5 (ii) above). Consequently, the Secretariat has deleted this issue from the proposed amendments in Annex III to this document.

Split of present headings 41.04 to 41.07

20. The EC proposal encompasses, among others, the splitting of present headings 41.04 to 41.07 into 7 new headings, to give separate status to (i) intermediate products (i.e., “tanned or crust hides and skins” - headings 41.04 to 41.06) and (ii) finished products (i.e., “finished leather” - headings 41.07, 41.10 and 41.11 (as re-numbered by the Secretariat)). The Secretariat indicated (in paragraph 10 of Doc. 42.473), however, that the proposed structure would be incomplete as it did not provide for the classification of provisionally prepared hides and skins currently classified in headings 41.04 to 41.07. These provisionally prepared hides and skins have not yet undergone an irreversible tanning process (but may have been treated with tanning agents so that they become less susceptible to putrefaction and better prepared for subsequent tanning) and, therefore, fall outside the scope of the term

“tanned” used in the proposed headings 41.04 to 41.06. The process is also described in the International Glossary of Leather Terms, issued by the International Council of Tanners, as “the processing of perishable raw hides and skins by the use of tanning materials into the permanent and imputrescible form of leather”.

21. The EC (COTANCE) considers, in its observations, that such provisionally prepared hides and skins do not fall within present headings 41.04 to 41.07, but belong to headings 41.01 to 41.03, as the case may be. The Secretariat would like to point out that present headings 41.04 to 41.07 cover (dehaired) hides and skins pre-tanned or tanned (emphasis added) – see the Explanatory Note to heading 41.04, first paragraph, on page 653. Pre-tanned hides and skins include, e.g., hides and skins pre-tanned with alum salts, which can be washed out, causing a reverse in the tanning action. The Secretariat understands, however, that the EC proposal intends to exclude this type of prepared hides and skins from proposed new headings 41.04 to 41.06, and to include them in headings 41.01 to 41.03, as the case may be. Consequently, the category “provisionally prepared leather”, as contained in the Rules of Origin (see Annex III to Doc. 42.473) would then no longer fall within present headings 41.04 to 41.07, but in headings 41.01 to 41.03 in future. Nonetheless, the EC is invited to clarify its position, i.e., whether certain types of pre-tanning (e.g., those processes which do not cause an irreversible tanning) should be excluded from new headings 41.04 to 41.06.
22. In this context, the Secretariat understands that the term “tanned” (as used in the proposed headings 41.04 to 41.06) also includes processes such as pre-tanning and re-tanning. However, if the Sub-Committee agrees with the principle that certain types of pre-tanning should be excluded from headings 41.04 to 41.06 (see paragraph 21 above), the Secretariat suggests introducing a Note to Chapter 41 to that end. This new Note (which could be introduced as new Note 2 to Chapter 41) could read as follows :
- “2.- Headings 41.04 to 41.06 do not cover hides and skins which have undergone a tanning (including pre-tanning) process which is reversible (headings 41.01 to 41.03, as the case may be).”
23. The Secretariat also expressed its concern about how to distinguish between the categories of leather termed as “not finished” (proposed headings 41.04 to 41.06) and “finished” (proposed headings 41.07 to 41.09) (paragraphs 11 and 12 of Doc. 42.473). The EC (COTANCE) now indicates that these terms could be replaced by “not further prepared after tanning” and “further prepared after tanning”, respectively. The Secretariat understands that the description given in Part (B) (“Leather further prepared after tanning”) of the General Explanatory Note to Chapter 41, on page 650, could serve as the dividing line between the two categories. The relevant parts of the headings concerned could then read : “(. . .), but not further prepared after tanning” (French : “(. . .) mais non préparé(e)s après tannage”) and “Leather further prepared after tanning and parchment-dressed leather” (French : “Cuir(s) préparé(s) après tannage et cuir(s) et peaux parcheminé(s)”), for headings 41.04 to 41.06 and 41.07 to 41.11, respectively. The Secretariat has prepared duly revised texts in Annex III to this document.
24. The Secretariat suggested not to split up present headings 41.04 to 41.07, but to restructure the current subheadings (see paragraph 13 of Doc. 42.473). The EC (COTANCE) insists, however, to have the proposed split introduced at heading level. The Secretariat leaves it to the Sub-Committee to decide.

Crust leather

25. Given the fact that “crust” leather is “tanned” leather, the EC (COTANCE) suggests to say “Tanned (including crust)” in headings 41.04 to 41.07. The Secretariat can accept this suggestion and has made the appropriate changes to the draft texts in Annex III.
26. The Secretariat had suggested to use the term “en croûte” in the French version, as equivalent to the English term “crust”, in lieu of “en stain” as initially suggested by the EC (see paragraph 15 of Doc. 42.473). The EC (COTANCE) notes that the initially proposed term “en stain” could avoid confusion with the term “croûte” in French, which refers to split skins. However, it can accept the term suggested by the Secretariat, noting that a clarification of the terms at issue could be introduced in the Explanatory Notes to Chapter 41. The Secretariat takes it that the EC (COTANCE) can accept the suggested reference to “en croûte” in the French version, as the equivalent of the English term “crust”, and has prepared appropriate changes to the draft texts set out in Annex III to this document.

In the dry state (crust)

27. The EC (COTANCE) indicates that it can accept a reference to “Other (including crust)” in the proposed subheadings of headings 41.04 to 41.07, instead of saying “In the dry state (crust)”. This new wording would, in the view of the Secretariat, avoid possible identification and classification problems and the Secretariat can, therefore, accept this suggestion. It has made the appropriate changes to the draft texts set out in Annex III, the code numbers allocated to these subheadings also duly revised.

Full substance and grain splits

28. The EC (COTANCE) indicates that the terms “full substance” and “grain splits” refer to unsplit hides or skins and to the outer layer of split hides or skins, respectively. It appears that these terms cover hides and skins which may have undergone a process by which (part of) the surface is removed. Consequently, the corresponding subheadings will no longer cover products referred to in the current structure as “full grains and full grain splits”, which are described in the Subheading Explanatory Note as “leather bearing the original grain surface as exposed by removal of the epidermis, with none of the surface removed, e.g., by buffing or snuffing” (page 653). The latter description has been taken from the International Glossary of Leather Terms, issued by the International Council of tanners, and is described therein as “full grain” (French : “pleine fleur”), as opposed to “corrected grain” (French : “cuir à fleur corrigée”), which refers to leather where the grain layer has been partially removed by buffing and where a new surface has been built up by the application of various finishes.
29. If on the other hand the terms “full substance” and “grain splits” do not cover hides and skins of which (part of) the surface has been removed by buffing or snuffing, it seems that the proposed structure is not exhaustive, as it would not provide for the classification of such products. In that case the structure ought to be amended accordingly, e.g., by creating a category “Other” in the series concerned or by replacing the text of the subheadings concerned with the following : “Full substance and grain splits, whether or not having some of the surface removed”.
30. The Secretariat also wonders how to distinguish the hides and skins of which (part of) the surface has been removed from “other splits”.
31. To avoid any possible misunderstandings and misclassifications in future, the Secretariat feels that the issues referred to in paragraphs 28 to 30 above should be clarified. The EC is invited to give its view on these points.
32. Finally, the expression “Full grains and full grain splits” was introduced in 1996, accompanied by a Subheading Explanatory Note, to clarify the scope of the subheading

concerned. It replaced the expression “Full grains and grain splits” (French : “Présentant le côté fleur, refendus ou non”), which had caused confusion, as its scope apparently differed from the one used by industry.

33. The Secretariat must leave it to the Sub-Committee to decide and has put the proposed expression and the current wording as an alternative in square brackets in Annex III, pending the outcome of the discussions.

Headings 41.06 and 41.11

34. The EC has suggested to refer, in the French version of headings 41.06 and 41.11, to “Autres cuirs et peaux (. . .), épilés (. . .)” and “Cuir fini (. . .), épilés (. . .)”, respectively (emphasis added). As these headings should also cover hides and skins of animals which have never had hair on, e.g., hides and skins of reptiles, the Secretariat suggests to use current terminology, i.e., by referring to “d’animaux dépourvus de poils” in the French version of these headings. The Secretariat has made the appropriate changes to the French version and has aligned the English text of heading 41.06 on the French. The texts thus adapted are set out in Annex III to this document.

IV. CONCLUSION

35. The Sub-Committee is invited to consider the EC proposal as reproduced in Annex I to this document, taking into account the Secretariat’s comments in paragraphs 6 to 34 above. If appropriate, the Sub-Committee is also invited to examine the draft amendments to the Nomenclature as set out in Annex III to this document.

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Note from the EC
(Initial proposal)

Chapter 41 (English version)

- 4101 Raw hides and skins of bovine (including buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split:
- 4101 10 - Whole hides and skins, of a weight per skin not exceeding 8 kg when simply dried, 10 kg when dry-salted, or 16 kg when fresh, wet-salted or otherwise preserved:
- 4101 20 - Whole hides and skins, of a weight exceeding 16 kg
- 4101 90 - Other, including butts, bends and bellies
- 4102 Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split, other than those excluded by Note 1 (c) to this Chapter:
- 4102 10 - With wool on
- Without wool on :
- 4102 21 -- Pickled
- 4102 29 -- Other
- 4103 Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split, other than those excluded by Note 1 (b) or 1 (c) to this Chapter:
- 4103 10 - Of goats or kids
- 4103 20 - Of swine
- 4103 30 - Of reptiles
- 4103 90 - Other
- 4104 Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not finished:
- in the wet state (including wet-blue):
- 4104 11 -- Full substance and grain splits
- 4104 19 -- Other splits
- in the dry state (crust):
- 4104 21 -- Full substance and grain splits
- 4104 29 -- Other splits
- 4105 Tanned or crust skins of sheep or lambs, without wool on, whether or not split, but not finished:
- 4105 10 - in the wet state (including wet-blue)
- 4105 20 - in the dry state (crust)
- 4106 Other tanned or crust hides and skins, without wool or hair on, whether or not split, but not finished:
- Of goats or kids:
- 4106 11 -- in the wet state (including wet-blue)
- 4106 12 -- in the dry state (crust)

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- Of swine:
 - 4106 21 -- in the wet state (including wet-blue)
 - 4106 22 -- in the dry state (crust)
- 4106 30 - Of reptiles
- Other:
 - 4106 91 -- in the wet state (including wet-blue)
 - 4106 92 -- in the dry state (crust)
- 4107 Finished leather (including parchment-dressed) of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 4110:
 - Whole hides and skins:
 - 4107 11 -- Full substance
 - 4107 12 -- Grain splits
 - 4107 19 -- Other splits
 - Other, including sides:
 - 4107 91 -- Full substance
 - 4107 92 -- Grain splits
 - 4107 99 -- Other splits
- 4108 00 Finished leather (including parchment-dressed) of sheep or lamb, without wool on, whether or not split, other than leather of heading 4110
- 4109 Finished leather (including parchment-dressed) of other animals, without wool or hair on, whether or not split, other than leather of heading 4110:
 - 4109 10 - Of goats or kids
 - 4109 20 - Of swine
 - 4109 30 - Of reptiles
 - 4109 90 - Other
- 4110 Chamois (including combination chamois) leather; patent leather and patent laminated leather; metallised leather:
 - 4110 10 - Chamois (including combination chamois) leather
 - 4110 20 - Patent leather and patent laminated leather; metallised leather
- 4111 Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls; parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour:
 - 4111 10 - Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls
 - 4111 20 - Parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour

COMMENTS

The above-presented possible amendment is based on a request by COTANCE, the federation of European leather trade and industry. This federation deems the current structure of Chapter 41 no longer appropriate, mainly for the reason that it does not identify intermediate products separately.

In subheadings 4101.10 and 4101.20 the maximum weight has been raised from 14 to 16 kg because calves traditionally covered by the first subheading appear to be bigger and therefore their hides and skins heavier nowadays.

In heading 4103 (and in 4106 and 4109, the corresponding ones for intermediate and finished products), separate subdivisions for products of swine have been created as the trade in those seems to have become considerable.

Headings 4104 to 4106 cover intermediate products (“tanned or crust”) thus taking into account the major concern of industry, whereas 4107 to 4109 identify finished leather. Heading 4110 in the proposal summarises the current ones 4108 and 4109, whereas the proposal’s 4111 does so for the current ones 4110 and 4111.

In the French version the term “cuir” is added in some headings’ texts saying now “cuirs et peaux” in order to align it to the English “hides and skins”.

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COMMENTS RECEIVED BY THE SECRETARIAT

A. Letter from FAO

“Since the exchange of correspondence, the Sub-Group on Hides and Skins met in Cape Town, 7 to 9 November. The Sub-group did not address the text of the proposal in detail. It did not consider the apparent conflict between WCO Rules of Origin and the EU proposal currently before your Sub-Committee, nor did it discuss the other matters raised in the material attached to the letter from Mr. Kusahara in October. The Sub-group felt, I think, that these details should be resolved in consultation between the WCO, COTANCE, and other interested parties. The Sub-Group did, however, endorse the proposed revision in principle, and urged that it be adopted as soon as possible.

The text of the relevant paragraph of the Sub-Group’s report reads as follows :

“17. The Sub-Group recalled that at its Fifth Session in 1996 it had requested the Secretariat to initiate a revision of Chapter 41 of the international trade classification so as to better reflect the composition of global trade flows in hides, skins and leather in their various forms. It reviewed progress of the proposal for revision on the basis of document CCP;ME/HS 98/CRS.5 which provided information on recent developments. The Sub-Group endorsed the proposed revision in principle, and urged that it be adopted by the World Customs Organization as soon as possible.”

B. Letter from of ITC (UNCTAD/WTO)

“I am writing to you in relation to the EU initiative to revise the trade nomenclature of the leather industry within the Harmonized System. It is our understanding that the EU-proposal has been admitted for being processed in the current HS revision exercise, which is to end in the year 2002, and I would like to express to you, on behalf of our organization, that we fully support this initiative.

We have been co-operating with COTANCE in the preparation of the proposal since the outset and we are satisfied with the result, as the proposed structure will allow an unequivocal classification of goods and thus improved statistical intelligence at international level, notably for intermediate products such as wet-blue and crust.

Allow me to emphasise the importance of improving the leather sector’s trade nomenclature and statistical information worldwide, especially for the developing countries. For them getting a clear and comprehensive picture of the global market for hides and skins, wet-blue, crust and leather is essential. This will provide them the necessary information to position themselves in a global perspective and give them a better understanding of their importance in the sectoral development.

We would very much welcome that the COTANCE proposal, which benefits a wide-reaching international consensus, be adopted as soon as possible.”

C. Letter from the EC (COTANCE)

(Secretariat's note : the numbers refer to the paragraphs of Doc. 42.473 (RSC/18))

"Split of headings 41.04 to 41.07"

· **n° 10**

Indeed the proposed structure does not provide for the classification of provisionally prepared hides and skins as defined by the TCRO developments.

The reason is a misunderstanding in the TCRO definition. A product which has been treated with tanning agents so that it becomes less susceptible to putrefaction and better prepared for tanning **is not tanned if this process is reversible**. Such a product falls, also in the current system, under the heading 41.01 under "otherwise preserved". If it is tanned, the process is **irreversible**. A tanned but not finished hide or skin is correctly classified in the current 41.04 heading and should be clearly classified in heading 41.04 to 41.06 in the correspondent subheading.

The ICT definition confirms that once hides and skins are tanned they are imputrescible. Hence, there is no scope in the current 41.04 for putrescible hides and skins.

This separation could be made clear by additional notes to be added where appropriate (e.g., Explanatory Notes).

· **n° 11**

Indeed, tanned is a term that defines all tanned material as of the wet-blue stage up to the finished stage.

· **n° 12**

The EU proposal puts forward to change what is currently termed "but not further prepared" and "further prepared after tanning" with "but not finished" and "finished". The reason is simple: if wet-blue is tanned, crust would be "further prepared after tanning" but it would not be "finished". The current nomenclature is not in tune with industry practice and, although for customs it is clearly explained in the Explanatory Notes, it could lead under the new structure to misunderstandings.

However, if the explanatory notes can define what should be understood under "not further prepared after tanning" and "further prepared after tanning" so that these explanations coincide with "not finished" and "finished", there should be no objection to keep the current wording, although it is less adapted to current and future needs of the industry.

For defining Finished leather (or leather further prepared after tanning) we would suggest to use the definition which are currently in the Chapter's explanatory notes (Section VIII Chapter 41 Gen2 (B) Leather further prepared after tanning) without the need to change anything.

· **n° 13**

The Leather industry would like to insist on the need to keep the proposed sequencing and not to alter the proposed structure. The benefits this brings are proportionally higher than the problem of re-numbering. It brings clarity and comprehension. It was precisely the structure that has pleased internationally.

Crust

· n° 14

Indeed, as an alternative the EU proposal could read for the 'intermediate products' headings: Tanned (including crust)....

· n° 15

Indeed, although "stain" is also indicated in the ICT Glossary, the term "en croûte" in French could be accepted as an alternative. It was suggested to avoid confusion with the term "croûte". If French speaking countries prefer this other term, there should not be any inconvenient. However, it would be appreciated that a note be added somewhere drawing attention to the difference between "croûte" and "en croûte".

· n° 16

Leather is either sold as Wet-blue (approx. 60% moisture) or Crust leather (14 to 18% moisture - depending on local climatic conditions), apart from finished. The only other variation may be "sammed wet-blue" at approx. 50% moisture. But in this case it is to be classified as "wet-blue" or "in the wet state". The leather industry does not know of any product "in the damp state" or in a state "between the "wet" state and the state in which it is dried out".

However, it may be acceptable to indicate for these subheadings "Other, including crust" instead of "in the dry state (crust)".

Full substance and grain splits

· n° 17

Full substance is generally recognised as an unsplit hide. To give continuity, it would be as well to describe it as "Full Thickness" to comply with the ICT description in the Glossary (n° 101).

Full grain must not be confused with the description of the thickness. Full grain means that the grain is intact and has not been buffed/corrected. This means that the current explanatory notes, which bring correct definitions, do not give a big service as Full grain splits are also Full grains. Thus saying Full grains and Full grain splits is a redundancy.

Suede may be difficult to classify by an inexperienced official as he may not necessarily see clearly at first sight whether the suede is made out of a grain layer or out of a flesh layer of the skin. This may, however, be solved with appropriate indications concerning the density of the fibrous tissue on the outer surface of the suede leather.

Developments in TCRO

· n° 18

The sequencing and the spirit of the TCRO developments are in line with the EU proposal. These are not final yet. However, the proposal is to provide for simpler rules which are more conform to the WCO general principles. Change of heading, or change of subheading may serve for defining the origin with the EU proposal. As the developments on Rules on Origin are not final yet, the decisions which may be taken will make reference to the new headings or subheadings. It will bring a clear simplification."

x x x

ANNEXE III

PROJET DE REMANIEMENT DES CHAPITRES 41 ET 43

(Point II.A.20 de l'ordre du jour)

ANNEX III

DRAFT AMENDMENTS TO CHAPTERS 41 AND 43

(Item II.A.20 on Agenda)

PROCEDURE DE L'ARTICLE 16

AMENDEMENT DE LA NOMENCLATURE

CHAPITRE 41.

1. Note 1 c).

Remplacer "les peaux brutes, tannées ou apprêtées, non épilées" par "les cuirs et peaux bruts, tannés ou apprêtés, non épilés".

2. N° 41.01.

Nouvelle rédaction :

" 41.01 Cuir et peaux brutes de bovins [(y compris les buffles)] ou d'équidés (frais, ou salés, séchés, chaulés, picklés ou autrement conservés, mais non tannés ni parcheminés ni autrement préparés), même épilés ou refendus.

4101.20 - Cuir et peaux brutes entiers, d'un poids unitaire n'excédant pas 8 kg lorsqu'ils sont secs; 10 kg lorsqu'ils sont salés secs et 16 kg lorsqu'ils sont frais, salés verts ou autrement conservés

4101.50 - Cuir et peaux brutes entiers, d'un poids unitaire excédant 16 kg

4101.90 - Autres, y compris les croupons, demi-croupons et flancs".

3. N° 41.03. Libellé.

Nouvelle rédaction :

" 41.03 Autres cuir et peaux brutes (frais, ou salés, séchés, chaulés, picklés ou autrement conservés, mais non tannés ni parcheminés ni autrement préparés), même épilés ou refendus, autres que ceux exclus par la note 1 b) ou 1 c) du présent chapitre."

4. N° 4103.30.

Insérer la nouvelle sous-position suivante :

"4103.30 - De porcins".

5. N°s 41.04 à 41.11.

Nouvelle rédaction :

" 41.04 Cuir et peaux tannés (y compris cuir et peaux en croûte) de bovins [(y compris les buffles)] ou d'équidés, épilés, même refendus, mais non préparés après tannage.

- A l'état humide (y compris *wet-blue*) :

4104.11 -- [Pleine épaisseur et côtés fleur] [Pleine fleur et pleine fleur refendue]

4104.19 -- [Autres côtés] [Autres]

- Autres (y compris en croûte) :
- 4104.91 -- [Pleine épaisseur et côtés fleur] [Pleine fleur et pleine fleur refendue]
- 4104.99 -- [Autres côtés] [Autres]

41.05 Peaux tannées (y compris peaux en croûte) d'ovins, épilées, même refendues, mais non préparées après tannage.

- 4105.10 - A l'état humide (y compris *wet-blue*)
- 4105.90 - Autres (y compris en croûte)

41.06 Cuirs et peaux épilés d'autres animaux et peaux d'animaux dépourvus de poils, tannés (y compris en croûte), même refendus, mais non préparés après tannage.

- De caprins :
- 4106.21 -- A l'état humide (y compris *wet-blue*)
- 4106.29 -- Autres (y compris en croûte)
- De porcins :
- 4106.31 -- A l'état humide (y compris *wet-blue*)
- 4106.39 -- Autres (y compris en croûte)
- 4106.40 - De reptiles
- Autres :
- 4106.91 -- A l'état humide (y compris *wet-blue*)
- 4106.99 -- Autres (y compris en croûte)

41.07 Cuirs préparés après tannage et cuirs et peaux parcheminés, de bovins [(y compris les buffles)] ou d'équidés, épilés, même refendus, autres que ceux du n° 41.12.

- Cuirs et peaux entiers :
- 4107.11 -- [Pleine épaisseur] [Pleine fleur]
- 4107.12 -- [Côtés fleur] [Pleine fleur refendue]
- 4107.19 -- [Autres côtés] [Autres]
- Autres, y compris les bandes :
- 4107.91 -- [Pleine épaisseur] [Pleine fleur]
- 4107.92 -- [Côtés fleur] [Pleine fleur refendue]
- 4107.99 -- [Autres côtés] [Autres]

[41.08]

[41.09]

41.10 4110.00 Cuirs préparés après tannage et cuirs et peaux parcheminés, d'ovins, épilés, même refendus, autres que ceux du n° 41.12.

41.11 Cuirs préparés après tannage et cuirs et peaux parcheminés, d'autres animaux, épilés, et cuirs préparés après tannage et cuirs et peaux parcheminés, d'animaux dépourvus de poils, même refendus, autres que ceux du n° 41.12.

- 4111.10 - De caprins
- 4111.20 - De porcins
- 4111.30 - De reptiles
- 4111.90 - Autres

41.12 Cuir et peaux chamoisés (y compris le chamois combiné); cuirs et peaux vernis ou plaqués; cuirs et peaux métallisés.

4112.10 - Cuir et peaux chamoisés (y compris le chamois combiné)

4112.20 - Cuir et peaux vernis ou plaqués; cuirs et peaux métallisés

41.13 Cuir reconstitué, à base de cuir ou de fibres de cuir, en plaques, feuilles ou bandes même enroulées; rognures et autres déchets de cuirs ou de peaux de cuirs reconstitués, non utilisables pour la fabrication d'ouvrages en cuir; sciure, poudre et farine de cuir.

4113.10 - Cuir reconstitué, à base de cuir ou de fibres de cuir, en plaques, feuilles ou bandes même enroulées

4113.20 - Rognures et autres déchets de cuirs ou de peaux de cuirs reconstitués, non utilisables pour la fabrication d'ouvrages en cuir ; sciure, poudre et farine de cuir".

CHAPITRE 43.

Note 2 b).

Remplacer "les peaux brutes, non épilées, de la nature de celles" par "les cuirs et peaux bruts, non épilés, de la nature de ceux".

ARTICLE 16 PROCEDURE

AMENDMENT TO THE NOMENCLATURE

CHAPTER 41.

1. Note 1 (c).

French text only.

2. Heading 41.01.

Delete and substitute :

“ 41.01 Raw hides and skins of bovine [(including buffalo)] or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split.

4101.20 - Whole hides and skins, of a weight per skin not exceeding 8 kg when simply dried, 10 kg when dry-salted, or 16 kg when fresh, wet-salted or otherwise preserved

4101.50 - Whole hides and skins, of a weight exceeding 16 kg

4101.90 - Other, including butts, bends and bellies”.

3. Heading 41.03. Heading text.

French text only.

4. New subheading 4103.30.

Insert the following new subheading 4103.30:

“4103.30 - Of swine”.

5. Headings 41.04 to 41.11.

Delete and substitute :

“ 41.04 Tanned (including crust) hides and skins of bovine [(including buffalo)] or equine animals, without hair on, whether or not split, but not further prepared after tanning.

- In the wet state (including wet-blue) :

4104.11 -- [Full substance and grain splits] [Full grains and full grain splits]

4104.19 -- [Other splits] [Other]

- Other (including crust) :
- 4104.91 -- [Full substance and grain splits] [Full grains and full grain splits]
- 4104.99 -- [Other splits] [Other]

41.05 Tanned (including crust) skins of sheep or lambs, without wool on, whether or not split, but not further prepared after tanning.

- 4105.10 - In the wet state (including wet-blue)
- 4105.90 - Other (including crust)

41.06 Tanned (including crust) hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared after tanning.

- Of goats or kids :
- 4106.21 -- In the wet state (including wet-blue)
- 4106.29 -- Other (including crust)
- Of swine :
- 4106.31 -- In the wet state (including wet-blue)
- 4106.39 -- Other (including crust)
- 4106.40 - Of reptiles
- Other :
- 4106.91 -- In the wet state (including wet-blue)
- 4106.99 -- Other (including crust)

41.07 Leather further prepared after tanning and parchment-dressed leather, of bovine [(including buffalo)] or equine animals, without hair on, whether or not split, other than leather of heading 41.12.

- Whole hides and skins :
- 4107.11 -- [Full substance] [Full grains]
- 4107.12 -- [Grain splits] [Full grain splits]
- 4107.19 -- [Other splits] [Other]
- Other, including sides :
- 4107.91 -- [Full substance] [Full grains]
- 4107.92 -- [Grain splits] [Full grain splits]
- 4107.99 -- [Other splits] [Other]

[41.08]

[41.09]

41.10 4110.00 Leather further prepared after tanning and parchment-dressed leather, of sheep or lamb, without wool on, whether or not split, other than leather of heading 41.12.

41.11 Leather further prepared after tanning and parchment-dressed leather, of other animals, without wool or hair on, whether or not split, other than leather of heading 41.12.

- 4111.10 - Of goats or kids
- 4111.20 - Of swine
- 4111.30 - Of reptiles
- 4111.90 - Other

41.12 Chamois (including combination chamois) leather; patent leather and patent laminated leather; metallised leather.

4112.10 - Chamois (including combination chamois) leather

4112.20 - Patent leather and patent laminated leather; metallised leather

41.13 Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls; parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour.

4113.10 - Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls

4113.20 - Parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour”.

CHAPTER 43.

Note 2 (b).

French text only.
